

RHODE ISLAND COMMERCE CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

September 26, 2016

The Board of Directors of the Rhode Island Commerce Corporation (the “Corporation”) met on September 26, 2016, in Public Session, beginning at 5:00 p.m. at the offices of the Corporation, located at 315 Iron Horse Way, Suite 101, Providence, RI 02908, pursuant to the public notice of meeting, a copy of which is attached hereto as Exhibit A, as required by applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Governor Gina M. Raimondo, Dr. Nancy Carriuolo, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Directors absent were: Bernard V. Buonanno III, Ronald O’Hanley, Tim Hebert and Mary Lovejoy.

Also present were: Stefan Pryor, Darin Early, Jeremy Licht, Esq., and Thomas Carlotto, Esq.

1. CALL TO ORDER AND OPENING REMARKS

Governor Raimondo called the meeting to order at 5:03 p.m. indicating that a quorum was present.

2. TO CONSIDER FOR APPROVAL THE PUBLIC SESSION MINUTES FOR THE MEETING HELD ON AUGUST 22, 2016.

Upon motion duly made by Ms. Toledo-Vickers and seconded by Mr. Kelly, the following vote was adopted:

VOTED: To approve the Public Session Minutes for the meeting held on August 22, 2016.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Voting against the foregoing were: none.

3. TO RECEIVE AN ANNOUNCEMENT REGARDING AWARDS UNDER THE WAVEMAKER FELLOWSHIP PROGRAM.

Ms. Rebecca Webber of the Corporation staff stated that the Wavemaker Fellowship Committee (the “Committee”) had approved its first 215 Wavemaker Fellows. She explained that the Fellows, who are primarily Rhode Island residents, span numerous industries and come from a variety of universities. Ms. Webber further explained

that the Committee sent award letters to the Fellows last week, and the staff is awaiting the award letters to be countersigned and returned.

Ms. Webber stated that, to be eligible for an award, an applicant must have obtained an associate or bachelor degree. She noted that some Fellows had obtained a master's degree or above. Ms. Webber outlined several methods for improvement of the program relating to the program's access, process, and execution.

Dr. Carriuolo asked whether there was a waiting list that the Committee could draw from in the event that an awardee did not execute and return his or her award letter. Ms. Webber indicated that there was no waiting list in this round due to the competitiveness of the applicants. She explained that a waiting list is permitted by the rules and may be utilized in the future.

Ms. Kaplan asked Ms. Webber to give the Board a feel for a picture of success. Ms. Webber responded that if the Corporation could identify why people are choosing to stay in Rhode Island, whether it be advancing career opportunities or other incremental new opportunities, such retention of professionals would indicate the success of the program. Ms. Webber further stated that the Fellows' attendance at wrap-around fellowship events will also be indicative of the success of the program.

4. TO CONSIDER FOR APPROVAL THE ISSUANCE OF THE RHODE ISLAND COMMERCE CORPORATION GRANT ANTICIPATION BONDS (RHODE ISLAND DEPARTMENT OF TRANSPORTATION), SERIES 2016B IN AN AMOUNT UP TO \$300,000,000.

Mr. Early explained that the proposed bond issuance before the Board is a conduit issuance for the benefit of the Department of Transportation (“DOT”). He stated that the Board previously approved a conduit issuance for a refinancing of existing GARVEE bonds and this is a new money issuance in the amount of \$300 million in support of the Rhode Works program. Mr. Early noted that representatives of DOT were present along with Steve Maceroni of Public Finance Management, the Corporation’s financial advisor.

Mr. Early explained that the Corporation does not have financial risk in its capacity as a conduit issuer.

Upon motion duly made by Ms. Sams and seconded by Mr. Nee, the following vote was adopted:

VOTED: To approve the issuance of the Rhode Island Commerce Corporation Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2016 B in an amount up to \$300,000,000 pursuant to the Resolution submitted to the Board.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Mary Jo

Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Resolution is attached hereto as Exhibit B.

5. TO CONSIDER THE APPLICATION OF URBAN SMART GROWTH, LLC FOR INCENTIVES UNDER THE REBUILD RHODE ISLAND TAX CREDIT PROGRAM.

Mr. Jesse Saglio of the Corporation staff explained that Urban Smart Growth, LLC (“USG”) is in its third phase of developing the Hope Artist Village. Mr. Saglio stated that in this phase, USG plans to build a 140,000 square foot residential complex for \$38.9 million. He stated that the complex will consist of 149 loft-style residences with varying layouts and noted that a representative from USG, Lance Robbins, was present and willing to answer any questions. Mr. Saglio explained that the recommendation to the Board was \$3.6 million of tax credits and \$790,000 in sales tax exemption. He stated that similar to other cases, the proposal before the Board contained a mechanism by which the Corporation could see a return of its capital if the project is successful.

Mr. Early noted that the Investment Committee discussed the application and recommended that the Board approve the incentives.

Mr. McNally expressed his approval of the incentives. Mr. Wadensten asked Mr. Saglio if the \$790,000 in tax exemptions was subject to repayment and Mr. Saglio indicated it was not under the proposal before the Board.

Upon motion duly made by Ms. Toledo-Vickers and seconded by Ms. Kaplan, the following vote was adopted:

VOTED: To approve the application of Urban Smart Growth, LLC for incentives under the Rebuild Rhode Island Tax Credit program pursuant to the Resolution presented to the Board.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Resolution is attached hereto as Exhibit C.

6. TO CONSIDER THE APPLICATION OF ROYAL OAKS REALTY, LLC FOR INCENTIVES UNDER THE REBUILD RHODE ISLAND TAX CREDIT PROGRAM.

Mr. Saglio explained that Royal Oakes Realty, LLC (“Royal Oaks”) will construct a mixed-use development project named “45 Pike Street”

on 195 land that is adjacent to an existing property owned by Royal Oaks. Mr. Saglio stated that the project consists of restoring an existing historic building and new ground-up construction, which will cumulatively total 67,000 square feet and cost \$23.2 million. He explained that Royal Oaks is affiliated with Churchill and Banks and Richard Bacari. Mr. Saglio also explained that the recommendation to the Board was for an award of \$2.5 million in tax credits and \$400,000 in sales tax exemption. He stated that the Agreement contains a provision for repayment if the project is successful.

Ms. Toledo-Vickers indicated that the Investment Committee engaged in lengthy discussions about the project and noted that the project advances many goals of the Corporation. Mr. McNally also expressed his approval.

Upon motion duly made by Ms. Sams and seconded by Ms. Toledo-Vickers, the following vote was adopted:

VOTED: To approve the application of Royal Oaks Realty, LLC for incentives under the Rebuild Rhode Island Tax Credit program pursuant to the Resolution presented to the Board.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Resolution is annexed as Exhibit D.

7. TO CONSIDER THE APPLICATION OF FARM FRESH UNDER THE INDUSTRY CLUSTER GRANT PROGRAM.

Mr. Dan Jennings of the Corporation staff explained that Farm Fresh is an applicant for a Cluster Grant award in the amount of \$85,000. He also explained that Farm Fresh is a private non-profit that plays a pivotal role in the “farm to table” movement. Mr. Jennings stated that Farm Fresh supports the farming community as it (1) coordinates the delivery of \$2 million in produce and 16,000 boxes of fresh seasonable produce; (2) converts local produce to value added products; (3) operates eleven farmers markets; (4) operates vibrant outreach and educational programs that build demand for local food and targets low income residents; and (5) supports 200 small businesses, including 150 farmers. Mr. Jennings stated that funds from the Cluster Grant would be utilized to conduct a feasibility study for a food and agricultural campus proposed to be located at 498 Kinsley Avenue, Providence, Rhode Island. Mr. Jennings indicated that the proposed Farm Fresh campus would provide several benefits, including: (1) building business with farmers; (2) revitalizing an up and coming neighborhood; and (3) building synergies across food-related business. Mr. Jennings expressed his approval of the grant because it provides for deliverables, including a market study, a

financing plan, and an economic study. Lucy Searle was present on behalf of Farm Fresh.

Mr. Nee inquired as to the timeline of the project. Ms. Searle indicated that she expects that the Farm Fresh campus will be under construction within the year. She stated that she budgeted a nine-month build out. She also stated that the project site is three and one-third acres and that the plan is to construct a 50,000-square-foot facility in anticipation of building subsequent phases, with Farm Fresh being the anchor.

Dr. Carriuolo asked why Ms. Searle believed there to be good synergy in the neighborhood. Ms. Searle responded that the neighborhood has a rich history of manufacturing and industry. She explained that there has been substantial disinvestment over time that has led to vacancies and partially-occupied buildings even though the buildings maintain tremendous manufacturing infrastructure. She noted that Providence Waterfire, the Steel Yard, and United Foods are all within a close proximity and explained that this project has the potential to recreate Providence's manufacturing legacy in the twenty-first century. Ms. Searle explained that Farm Fresh focuses on making products on site, and she noted a company that makes veggie burgers in New Jersey that would like to move to Rhode Island if they had the appropriate facilities, which Farm Fresh can provide.

Mr. Wadensten inquired as to the cost of the rehab of the buildings. Ms. Searle explained that the current buildings suffered a fire in March 2015, and the fire rendered the building unusable. She stated that demolition is scheduled by the current owner.

Mr. Wadensten asked whether Mr. Searle intended to construct the project with the intent to process food. Ms. Searle responded that the project would start with Farm Fresh programs that are primarily aggregating and distributing produce. She explained that Farm Fresh currently has five trucks on the road delivering from Watch Hill to Boston, which yields \$2.5 million to farmers. She stated that such delivery requires cooler, refrigeration, and other means that Farm Fresh would implement into the project. She explained the intent to start small and scale up.

Upon motion duly made by Mr. Nee and seconded by Dr. Carriuolo, the following vote was adopted:

VOTED: To approve the application of Farm Fresh Rhode Island under the Industry Cluster Grant Program pursuant to the Resolution presented to the Board.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Resolution is annexed as Exhibit E.

8. TO CONSIDER THE ANNUAL AUDIT OF THE CORPORATION.

Mr. Early explained that the Corporation engaged Blum Shapiro through an RFP process under a three-year contract as its new audit firm. He stated that Blum Shapiro is one of the largest regional accounting firms and has eighty (80) clients in the public sector. He further stated that the audit is being completed in compliance with GAAS and GAGAS standards. Mr. Early explained that in the future, the financials before the Board will contain a year over year comparison rather than a one year snapshot. He also explained that that the financial overview should be appropriately viewed in conjunction with conduit debt obligations that the Corporation has guaranteed.

Ms. Lisa Lasky, CFO of the Corporation, reviewed and explained the financial statement under consideration by the Board. Mr. Early explained the variances between the budget and how the financials are accounted for under GAGAS and GAAS. He indicated that the line of focus should be the amount of loss-gain before transfers.

Mr. Kelly explained that the Audit Committee spent a significant amount of time with audit team in an attempt to digest and

understand the financial statements. He expressed his confidence in the audit team and recognized Ms. Lovejoy's leadership.

Upon motion duly made by Mr. McNally and seconded by Ms. Toledo-Vickers, the following vote was adopted:

VOTED: To approve the annual financial statements of the Corporation in substantially the form submitted to the Board.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Voting against the foregoing were: None.

9. TO CONSIDER THE ESTABLISHMENT OF THE AIR SERVICE DEVELOPMENT COUNCIL.

Mr. Nick Autiello from the Executive Office of Commerce explained that the Air Service Development Fund (the "Fund") was established by the General Assembly to assist T.F. Green Airport in expanding and acquiring new direct route service. He noted that research has shown that locales with greater air service perform better economically than those that do not have such service. Mr. Autiello explained that the Fund is comprised of a \$1.5 million appropriation that will be used as a revenue guarantee for airlines to set up new

airline service. He stated that when Providence is close to the top of an airline's list for expanded service, the Fund may be used to help attract airlines to add direct route service to and from T.F. Green Airport. He explained that such programs have been successful in other locations, such as Columbus, where the Ohio legislature established a \$1.7 million revenue guarantee, which served as an impetus for Southwest Airlines to create a new route. He explained that during that program, there has been no need for Southwest to utilize the revenue guarantee.

Mr. Autiello requested that the Board approve a council to administer the Fund as provided in the statute. He stated that proposed council members were the Secretary of Commerce, or his designee, Carol Grant, Cheryl Johnson, Janet Raymond, and Martha Sheridan.

Upon motion duly made by Mr. Nee and seconded by Ms. Kaplan, the following vote was adopted:

VOTED: To establish the Air Service Development Council pursuant to the Resolution submitted to the Board.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Resolution is annexed as Exhibit F.

10. TO CONSIDER A CONTRACT WITH DUNN AND BRADSTREET.

Mr. Jennings requested that the Board approve the renewal of the Corporation's contract with Dunn and Bradstreet in the amount of \$125,000. He stated that Commerce makes heavy use of the Dunn and Bradstreet product, and uses the product when targeting new markets to conduct business attraction and to receive credit information about a company. He expected that as the business development team grows, the Corporation will make even greater use of product.

Upon motion duly made by Ms. Toledo-Vickers and seconded by Mr. Nee, the following vote was adopted:

VOTED: To authorize the President and COO to negotiate and enter into contract with Dunn and Bradstreet upon the terms as presented to the Board.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Voting against the foregoing were: None.

11. TO RATIFY THE APPROVAL OF THE IYRS BOND TRANSACTION.

Mr. Thomas Carlotto stated that the Board previously approved the IRYS bond transaction; however, bond counsel did not request a TEFRA hearing. He explained that the TEFRA hearing was held and the Board needed to revote on the ratification so there could be a tax-exempt issuance.

Upon motion duly made by Mr. Kelly and seconded by Ms. Toledo-Vickers, the following vote was adopted:

VOTED: To ratify the approval of the bond issuance for the International Yacht Restoration School pursuant to the Resolution submitted to the Board.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers, and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Resolution is annexed as Exhibit G.

There being no further business in Public Session, the meeting was adjourned by unanimous consent at 5:43 p.m., upon motion made by Mr. Wadensten and seconded by Ms. Toledo-Vickers.

Thomas Carlotto, Secretary